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Special Sessional Committee

REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s

Draft Agreed Conclusions of the Special Sessional Committee

Introduction

1. The Special Sessional Committee of the Trade and Development Board, in accordance with General Assembly resolution 45/206, conducted the fourth annual review of progress in the implementation of the Programme of Action for the Least Developed Countries for the 1990s, with the Least Developed Countries 1993-1994 Report as the background document. Delegations commended the UNCTAD secretariat for the high quality of this Report which contained very useful information and analyses. The Committee noted that it is the only Report of the UN system which focuses exclusively on the development problematique of the LDCs and that it is of particular value to the Governments of these countries and their development partners. The Committee emphasized the focal role of UNCTAD with regard to issues pertaining to LDCs and in that connection recalled that General Assembly resolution 48/171 called upon UNCTAD to initiate further innovative measures to provide and mobilize financial and technical support for the effective implementation of the Programme of Action. It stressed that the international community should provide full support to the activities of UNCTAD in this regard. In order to ensure that LDCs are given the special attention they require, the Committee stressed that the issues pertaining to this group of countries should be more fully integrated in the work of UNCTAD.

2. The Committee also had an informal exchange of views and a fruitful debate on country-level experience with the implementation of the Programme of Action. The participation of Ministers and high-ranking officials and experts from LDCs and their development partners at the informal sessions significantly contributed to a constructive dialogue.

Recent growth performance

3. The Committee was encouraged that roughly one quarter of the least developed countries achieved good growth with per capita output rising during the early 1990s. However, for LDCs as a whole, per capita income declined during this period leading to deteriorating living conditions particularly in many African LDCs. The Committee was concerned that the development outlook of most LDCs remained sombre. Unpredictable weather conditions, natural disasters, and the unfavourable external situation continued to contribute to the poor performance of LDCs. Political conflicts and civil strifes in some LDCs have serious implications for their development prospects, and it was important to bring such conflicts to an early and peaceful settlement.

Human capacity building

4. The Committee underscored that investment in basic education, training and health care is the foundation on which to build sustainable growth and development in LDCs. Concern was expressed at the loss of scarce skilled human resources from LDCs and the Committee stressed the need for effective incentives to retain these resources. The Committee pointed out that policies in the areas of education, training and health care could be further improved without detriment to other important sectors of expenditure. An important reason for LDCs to give higher priority to health and education is because of their impact on demographic trends: there is a positive correlation between enhanced status and better education and health of women and lower birth rates and improved productivity.

Adjustment and reforms

5. The Committee noted with appreciation that in recent years most LDCs embarked on a process of structural adjustment and wide-ranging reforms including privatization. This process can guarantee neither immediate results nor equitable sharing of costs and benefits, but the efforts of these countries provide a context in which growth and structural transformation could reinforce each other. External financing is often critical to this process. There is evidence that ambitious and sustained economic reforms, underpinned by external support, have improved economic performance of a number of LDCs. Donor countries were invited to provide adequate

resources for the implementation of these programmes. The need for LDCs' ownership of adjustment and reform programmes and for continued commitment of both LDCs and their development partners to their sustained implementation were stressed. It was recommended that the adjustment packages should be consistent with long-term priorities of LDCs and take into consideration possible social and political consequences. These reforms should also take into account the diversity of conditions and circumstances in the countries concerned and be implemented in a flexible manner.

ODA and debt

6. The Committee noted with great concern that ODA remained the single most important source of external financing for LDCs. It welcomed improved aid performance by some donors and strongly urged all donors to make urgent and intensified efforts to fulfil the ODA targets and commitments undertaken in the Programme of Action. The Committee was of the view that greater priority should be accorded to social sector programmes in allocating ODA. The donor countries were invited to adjust upwardly the aid targets and commitments contained in the Programme of Action so as to reflect fully the additional resource requirements of the LDCs, including those added to the list of LDCs following the Second United Nations Conference on the Least Developed Countries.

7. The Committee noted with concern that the debt burden of LDCs, particularly those in Africa, is a serious constraint to their development. Appreciation was expressed for cancellations of ODA debt of LDCs undertaken by many creditor countries, and for the enhanced measures taken in the Paris Club to alleviate LDCs' debt. The donor countries were asked to continue with these measures. These measures, however, have not been adequate for debt-distressed LDCs. It was emphasized by many countries that much stronger initiatives are required to improve the current terms of debt-relief for bilateral official debt. The Committee noted with particular concern the increasing share of multilateral obligations in the overall debt stock and debt servicing of LDCs. The LDCs, and some donors, called for improvement and continuation of the scope and coverage of existing debt relief schemes and mechanisms, including those relating to debt service obligations to multilateral institutions. In this connection many countries welcomed initiatives such as the replenishment through IMF/ESAF provided to alleviate this part of LDCs' debt. The Committee drew attention to the commercial debt of LDCs and called for further action for the alleviation of such debt.

External Trade

8. The Committee noted that the extremely low export capacity of most of the LDCs continues to be one of the major obstacles to growth and a source of their special dependence on ODA for financing, necessary investment, imports and technical support for development. The Committee welcomed the adoption of trade liberalization policies and measures by an increasing number of LDC; however, difficulties persist in expanding their external trading opportunities. Commodity and market diversification measures have been rendered difficult principally by lack of investment, technology and skills to augment levels of production and efficiency. UNCTAD should undertake a careful examination of the implications and opportunities for the LDCs of the Final Act of the Uruguay Round and suggest measures for removing any imbalances through, inter alia, additional trade preferences, financial assistance and debt relief. The special and differential measures for LDCs included in the Final Act should be implemented expeditiously and in a supportive manner. UNCTAD and ITC, according to their competence, should also provide technical assistance to LDCs in order to strengthen their capacity to implement the provisions of the Final Act of the Uruguay Round and to derive full benefits from the results of the Round. The provision of such assistance would be enhanced through further continued cooperation between UNCTAD and GATT/WTO.